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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL

COMMISSIONERS

BOB STUMP—Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION  
OF JOHNSON UTILITIES, L.L.C. DBA  
JOHNSON UTILITIES COMPANY, FOR AN  
INCREASE IN ITS WATER AND WASTE-  
WATER RATES FOR CUSTOMERS WITHIN  
PINAL COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

**NOTICE OF FILING  
SURREBUTTAL TESTIMONY OF  
DANIEL HODGES IN SUPPORT OF  
SETTLEMENT AGREEMENT**

Johnson Utilities, L.L.C. hereby files the Surrebuttal Testimony of Daniel Hodges in  
Support of Settlement Agreement in the above-captioned docket.

RESPECTFULLY submitted this 28<sup>th</sup> day of February, 2014.

BROWNSTEIN HYATT FARBER SCHRECK LLP

Jeffrey W. Crockett, Esq.  
One East Washington Street, Suite 2400  
Phoenix, Arizona 85004  
Attorneys for Johnson Utilities, L.L.C.

ORIGINAL and thirteen (13) copies filed  
this 28<sup>th</sup> day of February, 2014, with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered  
this 28<sup>th</sup> day of February, 2014, to:

Lyn Farmer, Chief Administrative Law Judge  
Hearing Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
DOCKETED  
FEB 28 2014

DOCKETED BY	
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1 Janice Alward, Chief Counsel  
2 Legal Division  
3 ARIZONA CORPORATION COMMISSION  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

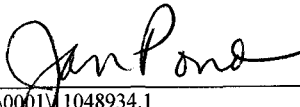
6 Steve Olea, Director  
7 Utilities Division  
8 ARIZONA CORPORATION COMMISSION  
9 1200 West Washington Street  
10 Phoenix, Arizona 85007

11 Copy of the foregoing mailed and e-mailed  
12 this 28<sup>th</sup> day of February, 2014, to:

13 Daniel Pozefsky, Chief Counsel  
14 RESIDENTIAL UTILITY CONSUMER OFFICE  
15 1110 West Washington Street  
16 Phoenix, Arizona 85007

17 Craig A. Marks  
18 CRAIG A. MARKS, PLC  
19 10645 N. Tatum Blvd., Suite 200-676  
20 Phoenix, Arizona 85028

21 James E. Mannato, Town Attorney  
22 TOWN OF FLORENCE  
23 P.O. Box 2670  
24 775 N. Main Street  
25 Florence, Arizona 85232-2670

26  
27  
28  
  
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP – Chairman  
GARY PIERCE  
BRENDA BURNS  
ROBERT BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION  
OF JOHNSON UTILITIES, L.L.C., DBA  
JOHNSON UTILITIES COMPANY FOR  
AN INCREASE IN ITS WATER AND  
WASTEWATER RATES FOR  
CUSTOMERS WITHIN PINAL COUNTY,  
ARIZONA.

DOCKET NO. WS-02987A-08-0180

**SURREBUTTAL TESTIMONY OF DANIEL HODGES IN  
SUPPORT OF SETTLEMENT AGREEMENT  
FEBRUARY 28, 2014**

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION.....	1
II. PURPOSE OF SURREBUTTAL TESTIMONY .....	1
III. STAFF COMPLETELY IGNORES THE COMPANY’S REASONS FOR A ONE-YEAR EXTENSION OF THE RATE CASE TEST YEAR.....	1
IV. BIFURCATION OF THE SETTLEMENT AGREEMENT WOULD BE UNFAIR TO JOHNSON UTILITIES .....	6
V. STATUS OF THE SALE TO THE TOWN OF FLORENCE.....	8

1    **I.    INTRODUCTION.**

2    **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3    A.    My name is Daniel Hodges. My business address is 5230 East Shea Boulevard,  
4       Suite 200, Scottsdale, Arizona 85254.

5    **Q.    HAVE YOU PROVIDED TESTIMONY PREVIOUSLY IN THIS**  
6       **DOCKET?**

7    A.    Yes. I provided the Testimony of Daniel Hodges in Support of Settlement  
8       Agreement dated January 17, 2014 ("Direct Testimony").

9    **II.    PURPOSE OF SURREBUTTAL TESTIMONY**

10   **Q.    WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11   A.    I respond to certain statements contained in the Testimony of Darron Carlson  
12       ("Carlson Testimony") dated February 12, 2014, regarding the Proposed  
13       Settlement Agreement ("Settlement Agreement") between Johnson Utilities,  
14       L.L.C. ("Johnson Utilities" or the "Company") and the Residential Utility  
15       Consumer Office ("RUCO") that was filed in this docket on November 4, 2013.

16   **Q.    HAVE YOU REVIEWED THE CARLSON TESTIMONY?**

17   A.    Yes.  
18

19   **III.   STAFF COMPLETELY IGNORES THE COMPANY'S REASONS FOR A**  
20       **ONE-YEAR EXTENSION OF THE RATE CASE TEST YEAR**

21   **Q.    IN YOUR DIRECT TESTIMONY AT PAGES 6-7, YOU EXPLAIN THE**  
22       **REASONS WHY A ONE-YEAR DELAY IN THE RATE CASE FILING**  
23       **REQUIREMENT WILL MAKE A MATERIAL DIFFERENCE TO**  
24       **JOHNSON UTILITIES. DOES THE CARLSON TESTIMONY ADDRESS**  
25       **ANY OF THE REASONS DISCUSSED IN YOUR DIRECT TESTIMONY?**

26   A.    No. Mr. Carlson completely ignores the reasons supporting the Company's  
27       request for a one-year delay. As I explained in my Direct Testimony, over the  
28       next two or three years, Johnson Utilities will be investing in significant plant

1 improvements and expansions, including a major expansion of a wastewater  
2 treatment plant. To provide some additional detail, the Company will be  
3 expanding the capacity of its Pecan wastewater treatment plant ("WWTP") as  
4 well as constructing a bypass of wastewater flows from the Pecan WWTP to the  
5 San Tan WWTP. The costs of this construction will exceed \$5,000,000. In  
6 addition, Johnson Utilities will be constructing three new water wells and  
7 additional new water storage at a total cost of more than \$1,500,000. Much of this  
8 construction will not be completed by the end of 2014. While the Company  
9 would feel more comfortable that it can have all of the necessary construction  
10 completed in 2016, we will work hard to get the work finished in 2015 so that it  
11 can be included in a 2015 calendar year test year.

12 In addition to the plant construction described above, Johnson Utilities is  
13 experiencing significant increases in power costs and the Company is preparing  
14 for implementation of the Patient Protection and Affordable Care Act (also known  
15 as ObamaCare), the full financial impact of which will not be known until after  
16 this year.

17 Delaying the test year by one year from 2014 to 2015 will allow Johnson  
18 Utilities to include significant additional plant investment in rate base and  
19 additional expenses in operating expenses. Alternatively, requiring the filing of a  
20 rate case using a 2014 calendar year test year will very likely force the Company  
21 to file back-to-back rate cases, which would be burdensome and costly for the  
22 Company and its customers, who ultimately pay the expense of a rate case.

23 **Q. YOU TESTIFIED AT PAGE 5 OF YOUR DIRECT TESTIMONY THAT**  
24 **STAFF PROVIDED NO ANALYSIS OR ANY BASIS FOR SELECTING A**  
25 **2014 TEST YEAR AS OPPOSED TO ANY OTHER TEST YEAR WHEN IT**  
26 **FILED ITS STAFF REPORT AND ORDER ON APRIL 26, 2013. DOES**  
27 **THE CARLSON TESTIMONY ADDRESS THIS POINT?**

28 **A.** No. In the Staff Report and Order, Staff was concerned about "the length of time

1 between rate cases that would occur if the Company did not file a new rate case  
2 application for several years.<sup>1</sup> As a result, Staff recommended a 2014 test year.  
3 However, there was no discussion or analysis in the Staff Report and Order to  
4 explain why Staff picked 2014 as opposed to some other year. Thus, it appears  
5 clear that Staff was primarily concerned with having a deadline for filing a rate  
6 case rather than setting a specific test year for that rate case. In other words, there  
7 is nothing in the Staff Report and Order to suggest that Staff put much thought  
8 into a specific test year.

9 In the Carlson Testimony, Mr. Carlson states for the first time that “the  
10 Commission recommends a three to five year period between rate cases.”<sup>2</sup> This  
11 was certainly not put forth as a basis for Staff’s recommendation of a 2014 test  
12 year in the Staff Report and Order. Furthermore, I am not aware that this is a  
13 policy of the Commission or a recommendation that is typically included in rate  
14 case orders. Additionally, Mr. Carlson’s statement is at odds with a statement in  
15 the February 21, 2014, Staff Report and Order in the Sahuarita Water Company  
16 rate case in Docket W-03718A-09-0359. In that Staff Report and Order, Staff  
17 recommended a 2014 test year for Sahuarita Water Company “[i]n order to limit  
18 the time span between rate cases to six years.”<sup>3</sup> Thus, there appears to be a  
19 difference of opinion among Staff analysts regarding the appropriate time span  
20 between rate cases.

21 **Q. DOES JOHNSON UTILITIES INTEND TO WAIT SEVERAL YEARS TO**  
22 **FILE A NEW RATE CASE APPLICATION, AS STAFF IS CONCERNED?**

23 **A.** No. As the Commission is aware, Johnson Utilities has filed an application to sell  
24 and transfer all of the Company’s utility assets to the Town of Florence and  
25 conditionally cancel its Certificate of Convenience and Necessity in Docket WS-  
26 02987A-13-0477. While we fully expect that transaction to close (contingent

27 <sup>1</sup> Staff Report and Order dated April 26, 2013 at 2.

28 <sup>2</sup> Staff Report and Order dated April 26, 2013 at 2.

<sup>3</sup> Staff Report and Order (Docket W-03718A-09-0359) dated February 21, 2014 at 2.

upon voter approval and prior approval by the Commission), in the unlikely event that the transaction does not move forward, Johnson Utilities is obligated under the Settlement Agreement to file a rate case by June 30, 2016, using a 2015 calendar year test year. The Company would certainly comply with that requirement. Thus, Staff's concern that Johnson Utilities will wait several more years to file a rate case is unfounded.

**Q. DOES THE SETTLEMENT AGREEMENT REQUIRE JOHNSON UTILITIES TO FILE A RATE CASE A YEAR EARLIER THAN THE COMPANY REQUESTED IN ITS PETITION FOR REHEARING FILED JULY 26, 2013?**

A. Yes. In its petition, Johnson Utilities requested that the Commission amend Decision 73992 to require a rate case filing by June 30, 2017, using a 2016 calendar year test year. As part of its negotiations with RUCO, Johnson Utilities agreed to move up the test year by one year to calendar year 2015. This is only one year later than the 2014 calendar year test year recommended by Staff.

**Q. IN YOUR DIRECT TESTIMONY AT PAGE 5, YOU ASSERT THAT THERE IS NO EVIDENCE THAT THE CURRENT RATES OF JOHNSON UTILITIES ARE NOT JUST AND REASONABLE. DOES THE CARLSON TESTIMONY REFUTE THIS ASSERTION?**

A. No. Mr. Carlson acknowledges that "a full rate case analysis is necessary to determine if current rates are still just and reasonable."<sup>4</sup> Stated in the opposite, without a rate case, Mr. Carlson cannot testify that the current rates of Johnson Utilities are not just and reasonable. It is important to note that as recently as July 16, 2013, just a little more than seven months ago, the Commission found in Decision 73992 that "the rates proposed herein [for Johnson Utilities] are just and reasonable."<sup>5</sup>

<sup>4</sup> Carlson Testimony at 4, lines 19-20 (emphasis added).

<sup>5</sup> Decision 73992 at 5, lines 19-21.



1 **Q. IN YOUR DIRECT TESTIMONY AT PAGE 7, YOU ASSERT THAT A**  
2 **ONE-YEAR DELAY IN FILING A RATE CASE WOULD NOT HAVE AN**  
3 **ADVERSE AFFECT ON THE COMPANY'S CUSTOMERS. DOES THE**  
4 **CARLSON TESTIMONY REFUTE THIS ASSERTION?**

5 A. No. As I note above, Mr. Carlson testifies that "a full rate case analysis is  
6 necessary to determine if current rates are still just and reasonable."<sup>6</sup> This  
7 statement, however, would apply to virtually any utility at any given point in time.  
8 As I understand ratemaking, rates are just and reasonable at the point in time they  
9 are established and approved by the Commission. After that, a utility's revenues,  
10 expenses, plant investment and cost of capital may change. Mr. Carlson does not  
11 testify that the Company's rates are not just and reasonable. Rather, he believes  
12 that due to growth in the customer count, the Company's "revenue and also most  
13 likely expenses have changed significantly, but not necessarily proportionately."<sup>7</sup>  
14 Although Johnson Utilities has had growth in its customer numbers, it is  
15 important to keep in mind that the Company actually has four separate systems  
16 and the cost per customer has not gone down simply due to growth. The  
17 Company's service area is spread from Apache Junction to Queen Creek to  
18 Florence, which is over 20 miles between them.

19 As I have testified, delaying the test year by even one year will allow  
20 Johnson Utilities to include additional plant investment in rate base and additional  
21 expenses in operating expenses. This, in turn, will lessen the need for the  
22 Company to file expensive back-to-back rate cases. Given all of these  
23 considerations, the requested delay in the rate case filing requirement is  
24 reasonable and will not adversely affect the Company's customers.

25  
26  
27  
28 <sup>6</sup> Carlson Testimony at 4, lines 19-20 (emphasis added).

<sup>7</sup> Carlson Testimony at 4, lines 18-19.

1 **IV. BIFURCATION OF THE SETTLEMENT AGREEMENT WOULD BE**  
2 **UNFAIR TO JOHNSON UTILITIES**

3 **Q. MR. CARLSON TESTIFIES AT PAGE 5 OF HIS TESTIMONY THAT**  
4 **JOHNSON UTILITIES AND RUCO COULD AGREE TO BIFURCATE**  
5 **THE SETTLEMENT AGREEMENT INTO TWO PARTS—THE INCOME**  
6 **TAX RATE ADJUSTMENT TO DECREASE THE RATE INCREASE**  
7 **PREVIOUSLY APPROVED IN DECISION 73992 AND THE RATE CASE**  
8 **TEST YEAR FILING REQUIREMENT. WILL JOHNSON UTILITIES**  
9 **AGREE TO BIFURCATE THE SETTLEMENT AGREEMENT ISSUES AS**  
10 **PROPOSED BY MR. CARLSON?**

11 **A.** No. Settlement agreements by their nature are an amalgamation of gives and  
12 takes. To achieve consensus for a settlement, a party may accept a position that in  
13 any other circumstances it would be unwilling to accept. The party does so  
14 because it believes the settlement, as a whole, is consistent with its long-term  
15 interests and with broad public interest. When someone attempts to sever parts of  
16 a settlement agreement, the agreement begins to unravel. For this reason, Section  
17 4.5 of the Settlement Agreement specifically provides that “[e]ach of the terms of  
18 this Agreement is in consideration of all other terms of this Agreement” and that  
19 “the terms are not severable.” The wastewater rate decrease and the one-year  
20 extension of the rate case filing requirement are tied together.

21 The Settlement Agreement, if approved, would result in an immediate  
22 reduction in the wastewater rates for Johnson Utilities customers, an obvious  
23 benefit to the residential rate payers that RUCO represents. In exchange, RUCO  
24 has agreed to a one-year extension of the rate case filing requirement in Decision  
25 73992. This was an important benefit for Johnson Utilities. Staff would have the  
26 Company potentially surrender this benefit while accepting the concession of  
27 lower wastewater rates. This would not be fair.

1 **Q. MR. CARLSON STATES AT PAGE 6 OF HIS TESTIMONY THAT "IF**  
2 **EITHER PARTY REFUSES THE BIFURCATION OF THE ISSUES,**  
3 **STAFF RECOMMENDS DENIAL OF THE ENTIRE SETTLEMENT**  
4 **AGREEMENT." DO YOU BELIEVE THAT DENIAL OF THE**  
5 **SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST?**

6 A. No. Mr. Carlson has testified that Staff supports the portion of the Settlement  
7 Agreement which reduces the increase in wastewater rates authorized in Decision  
8 73992, and Staff recommends approval of the rate decrease. Yet, Staff is willing  
9 to risk losing this important rate reduction to the Company's customers by  
10 refusing to accept a reasonable one-year extension of the rate case filing  
11 requirement in Decision 73992. Given the facts and circumstances of this case as  
12 presented in the testimony, and the lack of a compelling argument to support  
13 Staff's position regarding the extension of the rate case filing requirement, the  
14 Commission should approve the Settlement Agreement.

15 **Q. BASED UPON THE BENEFITS YOU HAVE DESCRIBED, AS WELL AS**  
16 **THE REASONS YOU HAVE PROVIDED SUPPORTING THE**  
17 **COMPANY'S NEED FOR A ONE-YEAR EXTENSION OF THE RATE**  
18 **CASE FILING REQUIREMENT, DO YOU BELIEVE THAT APPROVAL**  
19 **OF THE SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST?**

20 A. Yes. The Settlement Agreement fully resolves all disputes between RUCO and  
21 Johnson Utilities pertaining to Decision 73992 and, likewise, resolves all issues  
22 between the parties raised in RUCO's Application for Rehearing filed July 31,  
23 2013, and the Company's Petition for Rehearing filed July 26, 2013. As I have  
24 testified previously, the Settlement Agreement provides the following benefits:

- 25 • It requires independent verification that the actual weighted average  
26 income tax rate of the members of Johnson Utilities is at least equal  
27 to or higher than the imputed income tax rate of 25% for the  
28 wastewater division which the parties agree to in the Settlement  
Agreement.

- It reduces the applicable imputed income tax rate from 36.6558% to 25.00% for the wastewater division, resulting in lower wastewater rates and combined annual savings for wastewater customers of approximately \$289,000.
- It requires Johnson Utilities to file a rate case by June 30, 2016, using a 2015 test year.
- It requires Johnson Utilities to file yearly earnings reports, in the form of the schedules attached as Exhibit A to the Settlement Agreement, for the years 2013 and 2014 prior to the next rate case.
- It avoids further litigation and cost for both parties.
- It does not impair the right of RUCO to challenge or the right of Johnson Utilities to support future determinations regarding the imputation of income tax for limited liability companies, subchapter S corporations, and other forms of tax pass-through entities.

I would add also that the Settlement Agreement benefits the Commission directly in that it resolves a challenge to Decision 73992 which would very likely be headed to the courts.

**Q. WHAT ACTION DOES JOHNSON UTILITIES REQUEST THAT THE COMMISSION TAKE WITH RESPECT TO THE SETTLEMENT AGREEMENT?**

A. Johnson Utilities requests that the Commission issue its order modifying Decision 73992 to adopt and/or reflect the relevant provisions of the Settlement Agreement.

**V. STATUS OF THE SALE TO THE TOWN OF FLORENCE**

**Q. WHAT IS THE CURRENT STATUS OF THE PLANNED SALE AND TRANSFER OF THE COMPANY'S UTILITY ASSETS TO THE TOWN OF FLORENCE?**

A. On December 31, 2013, Johnson Utilities filed an Application for Approval of the Sale and Transfer of Assets and Conditional Cancellation of Certificate of Convenience and Necessity in Docket WS-02987A-13-0477. On February 18,

1           2014, the Town of Florence adopted Resolution 1421-14 which authorizes a  
2           special election to be held on May 20, 2014, regarding the Town's acquisition of  
3           the assets of Johnson Utilities and Southwest Environmental Utilities. A copy of  
4           the resolution, together with the action minutes showing its approval, are attached  
5           to my testimony as Exhibit 1. Johnson Utilities and the Town are negotiating the  
6           terms of an asset purchase agreement which should be completed and executed in  
7           the near future, contingent upon voter approval and the approval of the  
8           Commission. If all goes as planned, the parties hope to close the transaction by  
9           the end of the Town's current fiscal year which is June 30, 2014.

10       **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

11       **A.    Yes.**

# **EXHIBIT 1**

## **RESOLUTION 1421-14**

**A RESOLUTION OF THE TOWN OF FLORENCE, PINAL COUNTY, ARIZONA, ORDERING AND CALLING, A SPECIAL ELECTION TO BE HELD ON MAY 20, 2014, IN AND FOR THE TOWN OF FLORENCE, ARIZONA, TO SUBMIT TO THE QUALIFIED ELECTORS OF THE TOWN THE QUESTION OF THE ACQUISITION OF THE WATER AND WASTEWATER UTILITIES OWNED BY JOHNSON UTILITIES, LLC, AND SOUTHWEST ENVIRONMENTAL UTILITIES, LLC.**

**WHEREAS**, the Mayor and Council of the Town of Florence, Arizona, (hereinafter referred to as the "Town") hereby find and determine that the Town should acquire by purchase or condemnation, the water and wastewater utilities and related assets owned by Johnson Utilities, LLC, and Southwest Environmental Utilities, LLC, which provide a portion of the Town's residents with water and wastewater service so as to enable the Town to own and operate the utilities; and

**WHEREAS**, Arizona law requires cities and towns to obtain voter authorization before construction, purchase, acquisition or lease of any plant or property of a public utility. This measure will determine whether the Town of Florence shall be authorized to acquire and operate the water and wastewater utilities and related assets owned by Johnson Utilities, LLC, and Southwest Environmental Utilities, LLC.

**BE IT RESOLVED** by the Mayor and Council of the Town of Florence, Arizona, as follows:

**Section 1:** Designation of Election Date; Purpose

That Tuesday, May 20, 2014 has been set as the date for the Special Election in the Town of Florence, Arizona, for the purpose of submitting to the qualified electors of the Town the question of acquiring the water and wastewater utilities and related assets owned by Johnson Utilities, LLC, and Southwest Environmental Utilities, LLC, utility systems and the water and wastewater facilities, including but not limited to well sites, pumping stations, wastewater treatment plants, setback areas, access rights, current and future water delivery systems, and the service area connected to or associated with them necessary to provide utility service within and outside the Town limits.

**Section 2:** Designation of Election

(A) The Town Clerk is authorized to conduct the May 20, 2014 Special Election in accordance with A.R.S. Title 16.

(B) That all expenditures as may be necessary to order, notice, hold and administer the Election are hereby authorized, which expenditures shall be paid from current operating funds of the Town.

(C) That the Town Clerk is hereby authorized to take all necessary action to facilitate the Election.

**Section 3: Ballot Language**

That the official ballot for the Election (hereinafter referred to as the "Official Ballot") shall be in substantially the form attached hereto as Exhibit "A."

**Section 4: Designation Deadline for Voter Resignation**

Pinal County registration and voting lists will be used for the municipal election. In order to be qualified to vote you must be registered by April 21, 2014.

**PASSED AND ADOPTED** by the Mayor and Council of the Town of Florence, Arizona, this 18<sup>th</sup> day of February 2014.

---

Tom J. Rankin, Mayor

**ATTEST:**

**APPROVED AS TO FORM:**

---

Lisa Garcia, Town Clerk

---

James E. Mannato, Town Attorney



# CERTIFICATION

I hereby certify that the foregoing Resolution \_\_\_\_ was duly passed and adopted by the Mayor and Council of the Town of Florence, Arizona, at a regular meeting held on February 18, 2014, that the vote thereon was \_\_\_\_ ayes, \_\_\_\_ nays, and that the Mayor and Town Council members were present thereat.

---

Lisa Garcia, Town Clerk  
Florence, Arizona

## **EXHIBIT "A"**

### **OFFICIAL BALLOT**

**QUESTION: Acquisition of utilities owned by Johnson Utilities, LLC, and Southwest Environmental Utilities**

**Official Title:** Shall the Town of Florence, Arizona, be authorized to acquire and operate the water and wastewater utilities and related assets owned by Johnson Utilities, LLC, and Southwest Environmental Utilities Utility, including but not limited to wells sites, pumping stations, setback areas, access rights, and current and future water and wastewater delivery system and service area connected to or associated with them necessary to provide water service within and outside the Town limits?

**Descriptive Title:**

Arizona law requires cities and towns to obtain voter authorization before construction, purchase, acquisition or lease of any plan or property of a public utility. This measure will determine whether the Town of Florence shall be authorized to acquire and operate the water and wastewater utilities owned by Johnson Utilities, LLC, and Southwest Environmental Utilities.

A "YES" vote shall have the effect of authorizing the Town of Florence to own and operate the specified water and wastewater utility.

A "NO" vote shall have the effect of not authorizing the Town of Florence to own and operate the specified water and wastewater utility.

## **ACTION MINUTES**

**MINUTES OF THE FLORENCE TOWN COUNCIL MEETING HELD ON TUESDAY, FEBRUARY 18, 2014, AT 6:00 P.M., IN THE CHAMBERS OF TOWN HALL, LOCATED AT 775 NORTH MAIN STREET, FLORENCE, ARIZONA.**

### **1. CALL TO ORDER:**

**Mayor Rankin called the meeting to order at 6:03 pm.**

### **2. ROLL CALL:**

**Present: Rankin, Smith, Celaya, Hawkins, Montaña, Walter, Woolridge**

### **3. INVOCATION**

### **4. PLEDGE OF ALLEGIANCE**

### **5. CALL TO THE PUBLIC**

**Call to the Public for public comment on issues within the jurisdiction of the Town Council. Council rules limit public comment to three minutes. Individual Councilmembers may respond to criticism made by those commenting, may ask staff to review a matter raised or may ask that a matter be put on a future agenda. However, members of the Council shall not discuss or take action on any matter during an open call to the public unless the matters are properly noticed for discussion and legal action.**

### **6. PUBLIC HEARING AND PRESENTATION**

- a. Presentation of a Service Award to Cynthia Clark for 15 years of dedicated service to the Town of Florence.**
- b. Presentation by Greater Florence Chamber of Commerce recognizing the Business of the Month.**
- c. Public Hearing on an application received from Robert E. Barker, Valentino's, located at 3385 N. Hunt Highway, Florence, Arizona, for a new Series 12 restaurant license; and for Council recommendation for approval or disapproval of said license.**

**Mayor Rankin opened the public hearing. Mayor Rankin closed the public hearing.**

**On motion of Councilmember Hawkins, seconded by Councilmember Walter and carried to forward a favorable recommendation for approval on an application**

received from Robert E. Barker, Valentino's, located at 3385 N. Hunt Highway, Florence, Arizona, for a new Series 12 restaurant license

**7. CONSENT:** All items indicated by an (\*) will be handled by a single vote as part of the consent agenda, unless a Councilmember or a member of the public objects at the time the agenda item is called.

- a. \*Approval of a Special Event Liquor License for the Pinal County Mounted Posse's Annual Eddie Martinez Benefit, on Saturday, March 29, 2014, from 11:00 am to 10:00 pm.
- b. \*Approval of a Special Event Liquor License for Paladin Sports Outreach, Anthem Spring Festival, on Saturday, March 8, 2014, from 11:00 am to 6:00 pm.
- c. \*Reappointment of Judy Hughes, Barbara J. Kelly, and Ty Schraufnagel to the Industrial Development Authority with terms to expire December 31, 2019.
- d. \*Reappointment of Donald L. Woolridge to the Parks and Recreation Board with a term to expire December 31, 2016.
- e. \*Reappointment of Denise Kollert to the Library Advisory Board with a term to expire December 31, 2015.
- f. \*Approval of accepting the register of demands ending December 31, 2013, in the amount of \$2,201,094.82.

On motion of Councilmember Montaño, seconded by Councilmember Walter, and carried to approve the Consent Agenda, as written.

## **8. NEW BUSINESS**

- a. Discussion/Approval/Disapproval of entering into a purchase agreement with Pinal County Federal Credit Union to purchase property located at 200 W. 20th Street, Florence, Arizona, in an amount not to exceed \$335,000 or \$72.54 per square foot of building.

On motion of Councilmember Montaño, seconded by Vice-Mayor Smith, and carried to approve of entering into a purchase agreement with Pinal County Federal Credit Union to purchase property located at 200 W. 20th Street, Florence, Arizona, in an amount not to exceed \$335,000 or \$72.54 per square foot of building.

- b. Discussion/Approval/Disapproval of entering into an Intergovernmental Library Agreement between the Town of Florence ("Town") and the Florence Unified School District ("District").**

**On motion of Councilmember Woolridge, seconded by Councilmember Celaya, and carried to approve of entering into an Intergovernmental Library Agreement between the Town of Florence ("Town") and the Florence Unified School District ("District").**

- c. Resolution No. 1421-14 Discussion/Approval/Disapproval of adopting A RESOLUTION OF THE TOWN OF FLORENCE, PINAL COUNTY, ARIZONA, ORDERING AND CALLING, A SPECIAL ELECTION TO BE HELD ON MAY 20, 2014, IN AND FOR THE TOWN OF FLORENCE, ARIZONA, TO SUBMIT TO THE QUALIFIED ELECTORS OF THE TOWN THE QUESTION OF THE ACQUISITION OF THE WATER AND WASTEWATER UTILITIES OWNED BY JOHNSON UTILITIES, LLC, AND SOUTHWEST ENVIRONMENTAL UTILITIES, LLC.**

**On motion of Councilmember Montaña, seconded by Councilmember Walter, to adopt Resolution No. 1421-14.**

**Roll Call Vote:**

**Councilmember Montaña: Yes  
Councilmember Walter: Yes  
Councilmember Woolridge: Yes  
Councilmember Hawkins: Yes  
Councilmember Celaya: Yes  
Vice-Mayor Smith: Yes  
Mayor Rankin: Yes**

**Motion passed (Yes: 7; No: 0)**

- d. Discussion/Approval/Disapproval of authorization to enter into an Intergovernmental Agreement for provisions of services with the Pinal County Recorder for elections and voter registration services.**

**On motion of Councilmember Montaña, seconded by Councilmember Walter, to enter into an Intergovernmental Agreement for provisions of services with the Pinal County Recorder for elections and voter registration services.**

**Roll Call Vote:**

**Councilmember Montaña: Yes  
Councilmember Walter: Yes  
Councilmember Woolridge: Yes  
Councilmember Hawkins: Yes  
Councilmember Celaya: Yes**

**Vice-Mayor Smith: Yes**  
**Mayor Rankin: Yes**

**Motion passed (Yes: 7; No: 0)**

**9. CALL TO THE PUBLIC**

**10. CALL TO THE COUNCIL**

**11. ADJOURNMENT**

**Council may go into Executive Session at any time during the meeting for the purpose of obtaining legal advice from the Town's Attorney(s) on any of the agenda items pursuant to A.R.S. § 38-431.03(A)(3).**

**On motion of Councilmember Hawkins, seconded by Councilmember Montaña, and carried to adjourn the meeting at 6:40 pm.**

**Posted this 19<sup>th</sup> day of February, 2014, on the Town of Florence website at [www.florenceaz.gov](http://www.florenceaz.gov) by Maria Hernandez, Deputy Town Clerk.**